

April 19, 2001

Mr. Peter Craig
Contracting Officer's Representative
USACFSC – Business Programs Lodging
4700 King Street
4th Floor
Alexandria, VA 22302-4402



REVPAR
INTERNATIONAL

510 King Street
Suite 420
Alexandria, VA 22314
Phone: (703) 838-9707
Fax: (703) 838-9712

Dear Mr. Craig:

In accordance with our contract, REVPAR International has completed our Category 4 Project Validation Assessment at Dugway Proving Ground, Utah in regard to official lodging demand verification.

The entire study and its conclusions are based upon our present knowledge and information obtained from Army Lodging, as well as that obtained during our April 2001 site visit. All data provided by Army Lodging and/or Dugway Proving Ground is assumed to be accurate and true, unless otherwise noted.

As in all studies of this type, the conclusions reached do not take into account, or make provisions for, the effect of any sharp rise or decline in local or general economic or political conditions not presently foreseeable. Any estimated results are based on competent and efficient management of the lodging facility, presently and prospectively, comparable to Army Lodging Standards. Any projections are based on estimates and stated assumptions, which are inherently subject to uncertainty and variation, depending upon evolving events; accordingly we do not represent them as results that will actually be achieved.

We have no obligation, unless subsequently engaged, to update this study or revise the estimated results because of events and transactions occurring subsequent to the receipt of the requested information.

This study has been prepared for your use and guidance in assessing the Core Official Lodging Requirement at Dugway, as defined for this project at the onset.

We would be pleased to hear from you if we can be of further assistance in the application and/or interpretation of our findings and conclusions. We appreciate the opportunity to be of service to you, and look forward to hearing from you soon.

Sincerely,

REVPAR International, Inc.

(signed)

EXECUTIVE SUMMARY

Current Lodging Inventory

The number of official lodging rooms inventory at Dugway was 78 during FY1998 and FY1999, and 84 during FY2000.

Lodging representatives at Dugway Proving Ground consider 62 units to be representative of their permanent inventory. Over the years, excess Army Family Housing facilities have been added during busy periods. Many guests prefer them because they include kitchen facilities; as a consequence these “extra” units are sometimes occupied even though the permanent lodging accommodations are not full.

Guest rooms at Dugway Proving Grounds are contained in three multi-unit buildings (Buildings 5222, 5226 and 5228), eight houses that are part of the permanent inventory, and 22 houses that have been temporarily added to the official lodging inventory. A detailed unit breakdown of the current lodging supply at Dugway is included on Chart 1 in the Addenda. Essentially, the room count includes 6 single rooms at approximately 290 square feet, 48 two-room suites at approximately 580 square feet, and 30 houses that contain two or three bedrooms and one and a half or two baths.

Lodging administration is located at Building 5228, which is called the Antelope Inn. The lodging office is officially open Monday through Friday and generally closed on weekends and holidays, although they have been opening on Sunday nights to accommodate incoming guests.

Historical Utilization and Occupancy

The following table summarizes the volume of room night demand occurring at Dugway over the past three and a half years.

Historical Lodging Demand					
	FY 1998	FY 1999	FY 2000	FYTD 2000 ⁽¹⁾	FYTD 2001 ⁽¹⁾
Official Accommodated Demand	12,556	13,064	12,012	3,021	7,237
Official Unaccommodated (CNAs)	1,144	300	1,199	79	188
Total Official Demand	13,700	13,364	13,211	3,100	7,425
Unofficial Demand	122	122	277	200	43
Grand Total	13,822	13,486	13,488	3,300	7,468
Percent Change	--	(2.4%)	0.0%	--	126.3%
Note: ⁽¹⁾ YTD October – March (6 months)					
Source: Dugway Lodging Administration; Compiled by REVPAR International, Inc.					

Occupied rooms showed a slight decline over the three-year period of FY 1998 through FY 2000, with a significant increase over the past 12 months due to increases in Civil Support Training activities which brings in several teams each month for programs related to Weapons of Mass Destruction. Charts 2, 3, and 4 in the Addenda show further breakdowns of the foregoing.

Between FY 1998 and FY 2000, occupied rooms on any given night averaged 37 rooms. Over the most recent 12 months (April 2000 through March 2001), the average number of occupied rooms increased to 48 per night due to increased Civil Support Training activities. A comparison of the same months year over year (see Chart 2 in Addenda) shows that occupied rooms increased between 30 percent (February) to 318 percent (March). Overall, occupied room night demand was up 139 percent in FY YTD 2001 through March, compared to the same period

in FY 2000. Discussions with installation personnel and a review of training sessions already booked through the end of FY 2001 suggest that this level of demand is expected to continue for the next two to three years.

MARKET SEGMENTATION

Overall market segmentation is estimated at 97 percent TDY, with only a nominal amount of PCS and Unofficial demand requiring rooms at Dugway. The following table summarizes key characteristics of each demand segment based on interviews with lodging personnel at Dugway.

MARKET SEGMENTATION			
	TDY	PCS	Other
% Of Total Demand	97%	1%	2%
Market Segmentation			
Individuals	100%	> 90%	50%
Families	0%	< 10%	50%
Average Length of Stay (Days)	6 - 8	14	
14 days or less	100%	0%	100%
More than 14 days	0%	100%	0%
Source: Dugway Lodging Administration, compiled by REVPAR International, Inc.			

(Official) Temporary Duty Personnel (TDY)

- Principal sources of TDY include contractors (estimated at 75 percent) and military/civilian official guests (estimated at 25 percent).
- This source of business has been increasing over the past 12 months.
- Average length of stay is around six to eight days based on weighted average contribution of short and long term stays.

(Official) Permanent Change of Station (PCS)

- Principal sources of PCS demand include individuals transferring in and out, primarily during the summer months.
- There were 158 room nights of PCS demand in both FY 1999 and FY 2000. For FY YTD 2001 (through March) there were 72 room nights of PCS demand.

(Official) Certificates of Non-Availability (CNA)

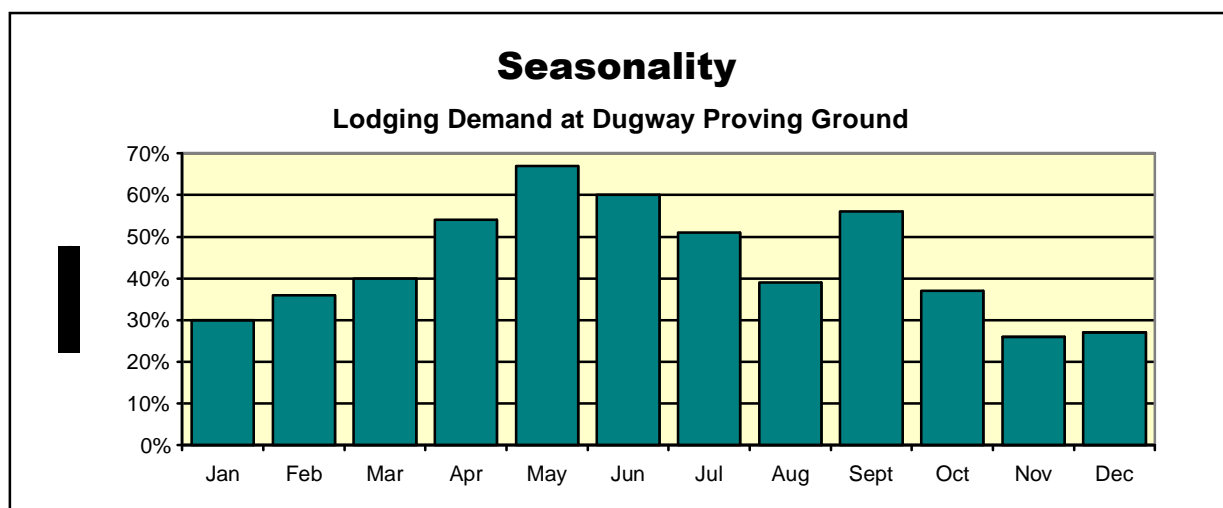
- Unaccommodated official demand occurs primarily at the time of check-in when no rooms are available in any category, rooms are not available for entire length of stay, or rooms are inadequate. Apparently, some CNAs return to the post lodging facilities as rooms become available, which could result in over-counting of CNAs. It does not appear that this overcounting would be significant. Over the past few years, CNA room night volume has fluctuated between 300 and 1,200 room nights annually.

Unofficial Demand

- Unofficial demand consists primarily of visitors to post personnel
- Historical reports showed minimal unofficial demand. During FY 1999, there were 122 room nights and during FY 2000 there were 277 room nights in this category.
- Unofficial demand is not included in our projections or recommendations.

Seasonality (Based on Three-Year Averages)

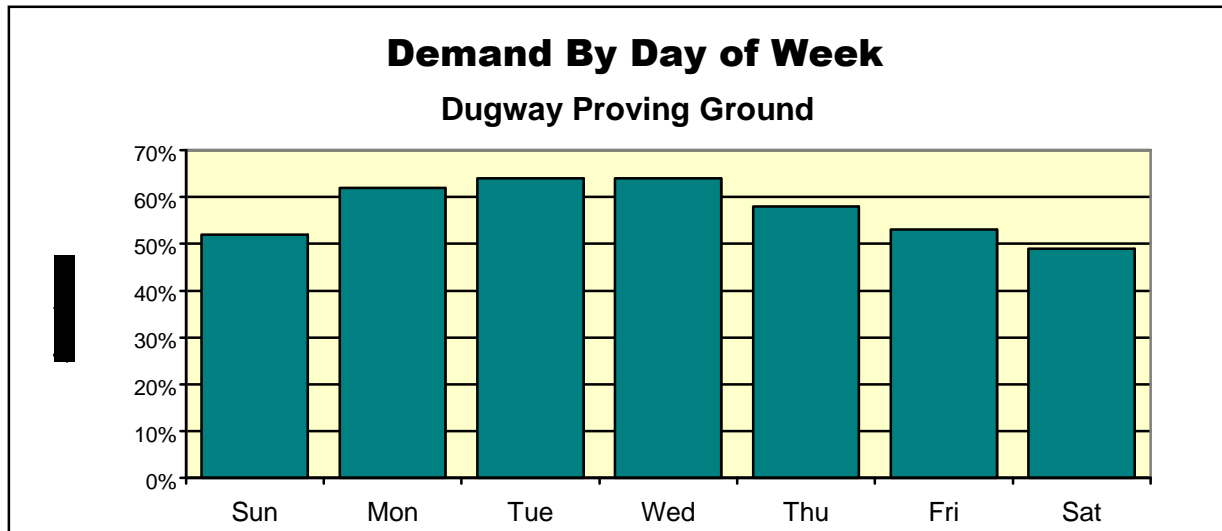
Based on three-year average of lodging inventory (80 rooms), highest occupancies are achieved in May and June (60 percent to 70 percent) followed by April, July, and September (50 percent to 60 percent). Slowest periods occurred between November and February, when the number of occupied official rooms averaged 22 to 30 rooms per night, equating to a 25 to 30 percent occupancy. According to management, the facility is never 100 percent occupied and is only rarely 90 percent occupied (one or two days during the busy season.)



Note: Based on three-year averages

Day of Week Occupancy Trends

The majority of demand occurs Monday through Thursday; however, the numbers do not drop off significantly on the weekends due to the average length of stay which is a week or more. Over the eight-month period, April through November 2000, the average occupancy was 64 percent on Tuesday and Wednesday, dropping off to an average of 52 percent on Sunday and 49 percent on Saturday. This equates to an average occupancy of 60 percent during the week and 50 percent on the weekends. The following table depicts occupancy by day of week, based on an eight-month sampling of records.



Please note that occupied rooms by day of week were unavailable.

Double Occupancy Factor

A review of Market Segment Analysis reports for the months of May 1999 through March 2001 indicates that approximately 23 percent of military guests, 18 percent of civilian guests and 4 percent of unofficial guests double up in suites or houses, which results in an undercounting of room night demand since these people are individually considered to be a "primary occupant". This situation is made possible by the fact that there are 22 temporary houses and 8 permanent houses in the lodging inventory. Additionally, some guests elect to double up in the suites if the alternative is being housed off post (i.e., 30-plus miles away). With respect to the suites, this reportedly situation occurs primarily during busy periods - approximately one to two months per year. With respect to the houses, however, some guests apparently request these accommodations as a convenience. When two or three guests share the same accommodation, they are charged individually as a "primary occupant", however the event is recorded as one room night in the Property Management System. Our analysis indicates that if these individuals were counted as a "primary occupancy" and housed in separate rooms per the Army Lodging Standard (private room, private bath), actual room night demand would be about 20 percent higher.

Future Growth of Room Night Demand

Based on our discussions with base personnel, we have projected an increase in demand to accommodate a new, recently scheduled training mission, identified as a "top secret" Department of Defense training program of indefinite duration. Available information indicates that this new training program will consist of four, two-week sessions per quarter with an average of 15 participants, and one one-week session per quarter with an average of 20 participants. Assuming that the classes are scheduled consecutively with minimal overlap, the total additional room night requirement will be 3,920 per year, or an average of 11 guest rooms per month.

SUMMARY AND RECOMMENDATIONS

- Stable post population.
- Significant increase in demand over the past 12 months due to increase in Civil Support Training activity which is expected to continue for foreseeable future.
- Interviews with post personnel indicate that the current (FY 2001) levels of utilization are likely to continue over the next three years.
- Average length of stay is 6 to 8 days for TDY and 14 days for PCS, which suggests that kitchen facilities should be provided for PCS personnel and a portion of the TDY personnel.
- The current practice of doubling up in suites and houses has resulted in actual demand being undercounted by approximately 20 percent.

Due to the demand pattern at this facility, which peaks from May through July and declines from December through February, we have reviewed the overall average utilization as well as the average of eight months, eliminating high and low periods. Accordingly, we recommend that the property be sized to reflect these utilization trends, based on the 90 percent Core Official Lodging Requirement (see Chart 5 in the Addenda).

Core Official Lodging Requirement

- 60 units = Core Official Lodging Requirement (CLR) based primarily on FY 2000 – FY 2001 weekday and monthly data; plus 10 percent growth rate for new tenants relocating to the installation over the next two to three years
- Proposed unit mix
 - 60 Extended-stay suite units – 40 studios and 20 one-bedrooms;
- Due to seasonality, accommodations should be designed so that buildings or building sections could be shut down during off-peak periods --see Core Official Lodging Requirement Summary worksheet (Chart 5) in the Addenda.

We recommend that Dugway's lodging be designed for extended stay accommodations for the following reasons:

- Dugway Proving Ground offers limited food and beverage service on post, with limited hours of operation.
- Although many visitors are on post for a week or less, contractor teams participating in testing operations are on post for an average of 14 days.
- Additionally, there is (admittedly limited) PCS demand with an average length of stay of 14 days.

Addenda

(Please refer to attached Excel file)

1. Lodging Inventory (Room Types)
2. Summary of Average Lodging Demand (FY 98 – FY 01)
3. Chart of Official Room Night Demand
4. Chart of Average Daily Room Night Demand by Month
5. COLR Summary Worksheet